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## BEFORE THE ARIZONA CORPORATION COMMISSION

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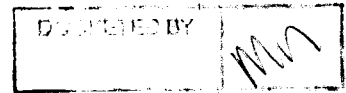
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SEP 18 2009



IN THE MATTER OF THE NOTICE OF  
 PROPOSED RULEMAKING REGARDING  
 RESOURCE PLANNING

) DOCKET NO. RE-00000A-09-0249

)

) **ELECTRIC COOPERATIVES'**) **COMMENTS ON STAFF REVISED**) **DRAFT OF PROPOSED RESOURCE  
 PLANNING RULES**

The following comments on the Arizona Corporation Commission Staff's Revised Draft of Proposed Resource Planning Rules ("Draft Rules") dated September 4, 2009 are being submitted by Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Mohave Electric Cooperative, Inc. ("Mohave"), Navopache Electric Cooperative, Inc. ("Navopache"), Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively the "Electric Cooperatives").

**I. INTRODUCTION**

The Cooperatives have only one goal and that is to provide the highest quality service to its members at the least cost. Cooperatives do not have a financial or any other motivation to self-build versus purchase power from an independent party but only seeks the most reliable, least cost alternative for its members. Because the customers of the cooperative are also its owners and there

1 is no profit incentive, conflict of interest concerns associated with the Cooperatives' competitive  
2 procurement are greatly reduced. The Cooperatives' boards of directors are elected by their members  
3 and will make resource planning decisions that are in the best interest of its members. In attempt to  
4 limit controversy, the Cooperatives have confined their comments to the R-14-2-702 A.  
5 Applicability Section of the Draft Rules. The Cooperatives' comments on specific provisions of the  
6 Draft Rules are as follows.

8 **R14-2-702 A. Applicability**

9       The Cooperatives believe that a possible acknowledgement of their resource plans as stated in  
10 R14-2-704 B. is not sufficient to justify the expense in complying with the Draft Rules. If an  
11 approval of a utility's resources for ratemaking purposes is not included as a part of this lengthy and  
12 costly Resource Planning ("RP") Draft Rule process, then this resource planning process will be very  
13 time consuming and costly to the Cooperatives' customers with little or no corresponding benefit.  
14 The Cooperatives have estimated that the major parts of the process, stakeholder meetings, reporting  
15 and filing, independent monitor, hearing and open meeting requirements could cost their members in  
16 excess of \$500,000 depending on the hours of Cooperatives' staff time, consultants required, number  
17 of intervenors, data requests, number of hearing days, etc necessary to meet the Draft Rule  
18 requirements. While there will be a high cost associated with this RP process, there will be no  
19 significant mitigation of the risks that the Cooperatives face in securing reliable resources at the least  
20 cost. The RP process will also increase in the length of time it will take the Cooperatives to secure  
21 resources.

22       While the Cooperatives recognize that exemption language has been added in R14-2-702 C.,  
23 this language will still require a distribution cooperative or utility that has invested in a 6 MW  
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1 renewable energy facility to comply with all of the requirements of the Draft Rules or make a costly  
2 application for an exemption. It is also a fact that the Draft Rule process will add time and expense  
3 to the process of procuring generation resources. The Draft Rules are assumed to be a benefit to  
4 cooperative members and in public interest. The burden is on a cooperative or "load serving entity"  
5 to somehow prove that the costs of compliance outweigh the "cost savings" resulting from the Draft  
6 Rules, despite the fact that the potential "cost savings" from the Draft Rules have not been identified  
7 or quantified in the Draft Rules.

9         In addition, the 5 MW threshold identified in this section is clearly too low when considering  
10 the Renewable Energy Standard and Tariff ("REST") Rule requirements and the fact that some of  
11 the Cooperatives are Partial Requirements Members (PRMs) of AEPCO and will be required to  
12 secure some of their own generation resources. The Cooperatives believe it is important to state that  
13 distribution cooperatives that directly own generation resources of less than 150 MW will not be  
14 subject to these Draft Rules for the reasons stated above. The 150 MW threshold clearly delineates  
15 between large power suppliers (i.e. APS and TEP) and distribution cooperatives that own a small  
16 portion of their power requirements. Each reference to 5 MW in the Draft Rules such as the  
17 definition of "load-serving entity" will also need to be changed from 5 MW to 150 MW to conform  
18 to the changes being proposed by the Cooperatives in this section.

21         The Draft Rules should include language that a distribution cooperative that purchases power  
22 through wholesale power contracts with either AEPCO or another entity is not a "load-serving  
23 entity" subject to the Draft Rules. To clarify the applicability, the definition of "load-serving entity"  
24 should also state the following at the end of the definition, "This Article shall not apply to electric  
25 distribution cooperatives that do not directly own or operate generation and that enter into purchased  
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1 power agreements whereby such electric distribution cooperatives purchase the output of a  
2 generation unit." Suggested language is attached as Exhibit A.  
3

4 **R14-2-703. Load-serving Entity Reporting Requirements**

5 The Renewable Energy Standard and Tariff ("REST") Rules Annual Renewable Energy  
6 Requirements are listed in the Draft Rules at in section R14-2-703(F)(4) with a statement that all  
7 load serving entities "will include renewable energy resources so as to meet the greater of the Annual  
8 Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail kWh  
9 sold by the load-serving entity." However there is no mention of the electric cooperative provisions  
10 contained in the REST Rules in section R14-2-1814 that allow for an approved Cooperative REST  
11 Implementation Plan to substitute for the percentages contained in R14-2-1804. To clarify that the  
12 provisions contained in R14-2-1814 will still be in effect the following sentence should be added to  
13 this section after the sentence listed above, "The provisions contained in R14-2-1814 will continue to  
14 be in effect for electric cooperatives." Suggested language is attached as Exhibit A.  
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20 RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of September, 2009.  
21

22  
23 By: \_\_\_\_\_

24 John V. Wallace  
25 Grand Canyon State Electric Cooperative Assn.  
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Phoenix, Arizona 85034

1 Original and thirteen copies of the foregoing  
2 filed this 18<sup>th</sup> day of September, 2009, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007  
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## EXHIBIT A

### TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS; SECURITIES REGULATION

#### CHAPTER 2. CORPORATION COMMISSION

##### FIXED UTILITIES

##### ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

###### Section

- R14-2-701. Definitions
- R14-2-702. Applicability
- R14-2-703. Utility Load-serving entity reporting requirements
- R14-2-704. Commission review of utility load-serving entity plans
- R14-2-705. Procurement
- R14-2-706. Independent Monitor Selection and Responsibilities

- 20.19. "Heat rate" – means a measure of generating station thermal efficiency expressed in ~~British thermal units~~ (Btus) per net kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt-hours of electricity generated.
21. ~~"Household income pattern" the proportion of households falling in each of several income ranges.~~
22. ~~"Interchange" electric energy received by the electric utility from another provider of electricity or supplied by the electric utility to another provider of electricity which is not purchased or sold under the terms of a long term agreement.~~
20. "Independent monitor" means a company or consultant that is not affiliated with a load-serving entity and that is selected to oversee the conduct of a competitive procurement process under R14-2-706.
21. "Integration" means methods by which energy produced by intermittent resources can be incorporated into the electric grid.
22. "Intermittent resources" means electric power generation that is non-dispatchable because of its variability.
23. "Interruptible power" – means power made available under agreements which an agreement that permit permits curtailment or cessation of delivery by the supplier.
25. "In-service date" – means the date a power supply source becomes available for use by the utility a load-serving entity.
26. "Load-serving entity" means a public service corporation that provides electricity generation service and operates or owns, in whole or in part, a generating facility or facilities with capacity of at least 150 megawatts combined. This Article shall not apply to electric distribution cooperatives that do not directly own or operate generation and that enter into purchased power agreements whereby such electric distribution cooperatives purchase the output of a generation unit.
27. "Long term" means having a duration of three or more years.
- 25.28. "Maintenance" – means the repair of generation, transmission, distribution, and administrative, and general facilities; replacement of minor items; and installation of materials to preserve the efficiency and working condition of the facilities.
26. ~~"Maintenance schedule" the specific days during which a power production unit is removed from service for inspection or overhaul of one or more major components; such work is planned well in advance.~~

1. Selects a portfolio of resources based upon comprehensive consideration of a wide range of supply- and demand-side options;
2. Will result in the load-serving entity's reliably serving the demand for electric energy services;
3. Will minimize the adverse environmental impacts of power production, including the emission of greenhouse gases;
4. Will include renewable energy resources so as to meet the greater of the Annual Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail kWh sold by the load-serving entity:

<u>Calendar Year</u>	<u>Percentage of Retail kWh sold during calendar Year</u>
<u>2010</u>	<u>2.5%</u>
<u>2011</u>	<u>3.0%</u>
<u>2012</u>	<u>3.5%</u>
<u>2013</u>	<u>4.0%</u>
<u>2014</u>	<u>4.5%</u>
<u>2015</u>	<u>5.0%</u>
<u>2016</u>	<u>6.0%</u>
<u>2017</u>	<u>7.0%</u>
<u>2018</u>	<u>8.0%</u>
<u>2019</u>	<u>9.0%</u>
<u>2020</u>	<u>10.0%</u>
<u>2021</u>	<u>11.0%</u>
<u>2022</u>	<u>12.0%</u>
<u>2023</u>	<u>13.0%</u>
<u>2024</u>	<u>14.0%</u>
<u>after 2024</u>	<u>15.0%</u>

The provisions contained in R14-2-1814 will continue to be in effect for electric cooperatives